

Date: October 11, 2011
To: Senate Energy and Technology Committee
From: James A. Ault, President
Michigan Electric and Gas Association
Subject: Review of 2008 PA 295, Part 2 – Subpart A (Renewable Energy)

1. Introduction and Summary

The Michigan Electric and Gas Association (MEGA) is a trade association of investor-owned electric and natural gas utilities serving in Michigan. The MEGA utilities are: Alpena Power Company; Citizens Gas Fuel Company; Indiana Michigan Power Company; Michigan Gas Utilities; Northern States Power Company, a Wisconsin corporation (Xcel Energy); Upper Peninsula Power Company; We Energies and Wisconsin Public Service Corporation. All of the MEGA electric utilities are regulated by the Michigan Public Service Commission (MPSC) and are subject to the renewable energy standards and requirements of the Clean, Renewable and Efficient Energy Act, 2008 PA 295 (Act 295).

MEGA appreciates the opportunity to provide an update to the Committee on behalf of its member electric utilities. A table is attached to this memorandum providing relevant information about the renewable energy measures of each provider. All of the MEGA electric providers have proceeded with implementation of Act 295 and they expect to meet the renewable energy credit portfolio requirements of Section 27 that ramp up from 2% of energy production to 10% over the period 2012-2015.

MEGA's electric members do not support changes to the portfolio standards at this time. The existing standards should remain in place to provide certainty and predictability in the scope of regulation, through the target year of 2015. Before any changes are made, the results and performance of renewable energy sources should be thoroughly reviewed. Such a review, particularly regarding cost effectiveness, reliability contribution and system implications, will require actual data from the performance of facilities yet to be placed in service. In summary, the existing law should be given a chance to work before major changes are adopted. Further, given the current economy (not anticipated before 2008), this is not the time to be adding more costs.

2. MEGA Company Data

The attached table shows MEGA member companies are making progress towards the Act 295 renewable standard primarily using wind and hydroelectric resources. Alpena Power is in a unique situation because it purchases all of its electric supply under a wholesale power contract with Consumers Energy with a term extending to 2024. Therefore, Alpena Power will purchase renewable energy credits (RECs) to meet statutory requirements and these purchases will increase as the standard ramps up to 10% by 2015.

The other MEGA electric providers are part of multistate integrated systems. For these providers, a system mix of generating sources is allocated among the states served or power is purchased from the overall system. Some of the renewable energy in the system mix can be used to satisfy the Michigan requirements. We Energies, Upper Peninsula Power, Indiana Michigan Power and Xcel Energy have in-

state hydroelectric facilities in their system generating portfolios, providing RECs that qualify under Act 295. In most cases, the cost of renewable energy in the mix is recovered through base rates and/or the purchased power cost recovery mechanism and incremental surcharges are not needed. The Michigan Renewable Energy Certification System (MIRECS) extended under MPSC direction provides a mechanism to facilitate the transfer and crediting of RECs from various sources in the integrated systems.

All of the MEGA member electric providers expect to meet the Act 295 target of 10% renewable energy by 2015. As noted, several companies are utilizing existing hydroelectric resources which were constructed many years ago to take advantage of the energy available from natural forces. These existing facilities should be allowed to qualify for the renewable energy targets, as they are now, if any future modifications to Act 295 are adopted.

3. Conclusion

The system operations, capacity, transmission and tax policy issues addressed in the comments of Craig Borr (MECA) are among the matters that should be fully examined before any decisions are made on state policy changes to Act 295. Additional issues for future analysis include the impact of wind turbines on wildlife, the public nuisance concerns and the substantial land use requirements of wind farms compared to other generating resources. Michigan's current policy provides the advantage of requiring a reasonable level of additional renewable resources, primarily but not exclusively wind energy, that will provide actual operating results for effective analysis of these issues. The legislature should "stay the course" for a few more years.

On behalf of MEGA and its members, thank you for this opportunity to provide information and take questions.

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MEGA -- Summary of Company Data on Renewable Energy (RE) Implementation (year-end 2010)

<u>Company</u>	<u>Electric Service Area</u>	<u>MI Customers</u>	<u>Multistate?</u>	<u>RE Sources</u>	<u>Surcharge</u>	<u>2010 available RECs/ Total MWh retail sales</u>	<u>2010 RE %</u>
Alpena Power Company	Alpena and nearby municipalities in NW lower peninsula	16,300	No	100% from purchased RECs under long term contract with Consumers Energy	Yes (\$3.00/month residential, \$16.58/month commercial, \$187.50/month industrial)	0/ 323,620 (REC purchases required for years beginning 2012)	0%
Indiana Michigan Power Co.	Part of SW lower peninsula	128,000	Yes -- I&M serves part of N Indiana; part of a larger AEP multistate system.	6 small hydro (22.42 MW) + share of 150 MW Fowler Ridge Wind Farm	None -- all recovery via base rates or PSQR	67,981/ 3,037,396	2.24%
Upper Peninsula Power Co.	Part of 10 counties in central Upper Peninsula	51,937	No -- but part of Integrys Energy Group of affiliated utilities	5 owned hydro (27.6 MW) + 1 contracted hydro (0.9 MW)	None -- all recovery via base rates	112,372/ 815,641	13.78%
We Energies (trade name for Wisconsin Electric Power and Wisconsin Gas)	Part of 10 counties in W-Central Upper Peninsula	28,386	Yes -- WE also serves a large area in Wisconsin (over 2.1 million total customers) and is part of Wisconsin Energy Corp.	Integrated system mix includes 95 MW hydro + 220.7 MW wind + 3.11 MW biogas/biomass + 34.4 MW landfill gas	Yes (same levels as Alpena Power, above -- these are statutory caps per MCL 460.1045(2))	154,660/ 2,527,957	6.12%
Wisconsin Public Service Corp.	Area near Menominee in Central Upper Peninsula	8,988	Yes -- WPS also serves a large area in N Wisconsin and is part of Integrys Energy Group	Integrated system mix includes 23 MW hydro + 66.7 MW wind + 8 MW landfill gas	None -- all recovery via base rates or PSQR	37,569/ 269,411	13.94%
Xcel Energy (trade name for Northern States Power -- WI and others)	Far W Upper Peninsula	9,700	Yes -- NSP-W also serves N Wisconsin; part of affiliated group of Xcel Energy companies in 8 Western and Midwestern states	Integrated system mix includes 6.43% hydro + 6.11% wind + 1.32% biomass + 1.45% wood + 0.37% waste	None -- all recovery via base rates or PSQR	12,428/ 136,260	9.12%

